



The Round-Up: October 20th 2006

Posted by [Stoneleigh](#) on October 20, 2006 - 11:33am in [The Oil Drum: Canada](#)

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[Shell Says Oil Sands Expansion Would Remain Viable With \\$30 Oil](#)

Soaring costs for the steel pipe, specialized equipment and labor needed for an oil-sands facility, along with a 27 percent drop in crude prices since July, have raised concern that some projects won't be profitable. The estimated cost of the Shell project, a 65 percent expansion of the company's operation, has already tripled.

"I stopped reading the daily oil price," Mather, 59, said in an interview yesterday at the company's Calgary headquarters. "Of course the lower you go, the less attractive the rates of return." While short-term fluctuations in prices may affect a decision to drill more gas wells, he said, an investment as large as the oil-sands expansion is based on long-term trends.

His comments contrasted with remarks by Nexen Inc. Chief Executive Officer Charlie Fischer, who this week said new projects may need crude prices of \$45 a barrel to break even because of the increased costs that have resulted from the rush to develop the oil sands.

Up to C\$125 billion (\$110 billion) may be invested in the next decade to almost triple production from Canada's oil sands, according to the National Energy Board. Shell's project is in a region known as the Athabasca in northeastern Alberta, where oil-laden sands are strip mined and then processed with heat and solvents to extract the tar-like crude.

[PM gives strong defence of energy sector - Canada emerging as a 'superpower'](#)

Prime Minister Stephen Harper offered a sweeping defence of the energy sector yesterday as his government revealed an environmental plan that critics say is not tough enough on oil and gas producers.

Speaking to a convention of insurance brokers in this border city, Mr. Harper said the contributions of energy industries to the Canadian economy sustain the nation's high quality of life.

"For international investors, the most important sector story I have to tell is energy," the Prime Minister told a packed convention hall. "Canada is an emerging energy superpower."

With energy security an increasing preoccupation for countries all over the world, Alberta's oil sands, he said, are the "second-largest proven petroleum reserves on the planet."

[Clean Air Act receives rocky reception from MPs](#)

Environmentalists were quick to voice their opposition to the bill.

"There is really no news here," Green party Leader Elizabeth May told the Canadian Press. "Canada stands alone repudiating Kyoto."

Aaron Freeman of Environmental Defence said the proposed Act was effectively abandoning the Kyoto Protocol and the target it set.

"If you can't meet the target, then you are not meeting the Kyoto (Protocol)," he said.

The Sierra Club blasted the vehicle emissions plan as too little too late

[Alaskan storm cracks giant iceberg to pieces in faraway Antarctica](#)

Oceanographers have known since the early 1960s that ocean swells can travel half way around the world. But the new study, funded by the National Science Foundation, raises the possibility that an increase in storms driven by climate change could affect far-flung parts of the globe.

"One of the things we're debating in the world right now is whether global warming might increase the storminess in the oceans," said MacAyeal, professor in geophysical sciences at the University of Chicago. "The question we then pose is: Could global storminess have an influence on the Antarctic ice sheet that had never been thought of?"

[Inflation plummets to 0.7 per cent in September](#)

Statistics Canada says inflation fell to 0.7 per cent in September from 2.1 per cent in August, a reflection of the drop in gasoline prices from the highs produced by hurricane Katrina.

[The Easy Button/Pent-Up Supply](#)

"So let me tell you, simplistically, what we see and hear on the front lines. On the street we are dealing with builders and sellers every single day. And both groups are trying to leap-frog the other on the way down. That means lower margins or no margins for the builders. And that means the banks that have financed the millions of homes flippers bought, as well as the ATM cash drawn down with ARMs, will wind up owning a lot of property they cannot sell. Sure, most banks sell their paper. OK, so the guys like Fannie Mae will own hundreds of thousands of homes they can't sell. The result is the same.

Massive amounts of inventory flooding the market at foreclosure sales. And prices drop further....

...The soft money we saw for the last three years from flippers is gone. The funny money drove prices up more than 100% in just three years in many markets. Irrational exuberance was a replay. History repeats again. Surprise? No. So even though we are down 30-40% in many markets year over year, we now have more inventory than we have ever had in the history of the world. In high school I learned about supply and demand. This is a classic example. Too much supply and too little demand. So housing prices will fall further and the entire economy will suffer for our irrational exuberance. Far more so than we suffered during the dot-com boom."

[Russian government to call for action on stalled Royal Dutch Shell project](#)

Russia's upper house of parliament will discuss the Royal Dutch Shell-led Sakhalin-2 oil and gas project today and call for government actions over the venture. Sakhalin-2 has come under pressure over ecological and technical compliance from Russia's environmental agency. Analysts say this is part of a broader Kremlin strategy to gain control over the lucrative project. Russian Resources Minister Yuri Trutnev, who will inspect Sakhalin-2 next week, has said Russia is particularly upset by the doubling of costs at the project to US\$20-billion, which will delay when the country gets its profit oil from the production sharing deal. The Sakhalin-2 group, which also includes Japan's Mitsui and Mitsubishi, argues that it is not different from other big projects and its costs rose due to higher steel prices and the weaker dollar.

[Husky profit rises 23 pct as oil production jumps](#)



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